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SUBSIDY PROGRAM OF CCC(OD), LCS91a,
COVERING 1944 PACK SAUERKRAUT

I. INTRODUCTION

The War Food Administration has authorized a program for the purpose of supporting the \$12.00 per ton grower price for cabbage for kraut announced in the Administration's release of March 4 on "1944 Support Price on Farm Products". The program is necessary to insure the maximum necessary production and distribution of kraut and to protect certified kraut packers against monetary losses that might be incurred as a result of price declines. It provides that the Commodity Credit Corporation (OD) may support the price of bulk kraut either by making subsidy payments or purchasing kraut at specified support prices.

The estimated amount of funds required to discharge the program is \$500,000.00.

II. GENERAL DESCRIPTION OF THE PROGRAM

The program is designed to keep surplus supplies of kraut in the hands of packers for disposal by them through the regular trade channels instead of the War Food Administration purchasing the kraut and then reselling it back to the trade. The main provisions of the program are as follows:

- A. The Commodity Credit Corporation (OD) will support the price for bulk kraut produced by packers who are certified by State Agricultural Conservation Committees as participating in the Administration's grower price support program for cabbage for kraut.
- B. All participating packers shall certify as to the price paid by them for all cabbage purchased and processed by them into kraut.
- C. The program will apply to kraut produced from cabbage grown and harvested and cut into packer's vats, tanks or barrels from August 1 through November 30, 1944, unless a later date is approved by the War Food Administrator or his representative.
- D. The program will be limited to one filling of the packer's tanks or vats. For a packer who has no tank or vat facilities and who customarily cuts and processes kraut in barrels, the support program will be limited to the quantity of kraut cut by the packer during the base period

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II. D. (Cont.)

August 1 through November 30, 1942 unless a later date is approved by the War Food Administrator.

- E. Payments will be limited to actual packout yields, but in no event to exceed 135 gallons of kraut for every ton of cabbage processed.
- F. Subsidy payments will amount to the difference between the appropriate support level, in no event to exceed 18¢ per gallon, and actual prices f.o.b. packer's plant, bulk basis, at which civilian sales are made when such prices are between 18¢ and 14 $\frac{1}{4}$ ¢ per gallon from August 1 to December 1, 1944, and between 18¢ and 12¢ per gallon from December 1, 1944 to April 1, 1945, or such later date as may be approved by the War Food Administrator. For the purpose of calculating the rate of payment, civilian sales below 14 $\frac{1}{4}$ ¢ from August 1 to December 1, 1944 and below 12¢ per gallon from December 1, 1944 to April 1, 1945 shall be considered as being at 14 $\frac{1}{4}$ ¢ and 12¢, respectively.
- G. The maximum support price on kraut is 18¢ per gallon, f.o.b. plant when the price paid for both contracted and uncontracted cabbage averages \$12 per ton, delivered to packer's plant or customary assembly point. For the purposes of calculating the average price paid for cabbage under this program all purchase prices for cabbage above \$12 per ton shall be reduced to \$12. For every \$1 or part thereof paid for cabbage under \$12 per ton, there shall be a reduction of 3/4¢ per gallon in the maximum support price.
- H. The effective period of support will be August 1, 1944 to April 1, 1945 unless a later date is approved by the War Food Administrator. The WFA has the option to support the price of kraut either by making subsidy payments to packers on kraut produced by them and sold to civilians at prices below the appropriate support level or make purchases of such kraut at the appropriate support level. Packers will be required to give notice to the WFA of any sales they propose to make after announcement of this program at prices below the appropriate support level so that WFA will be in a position to exercise this option. On the unsold quantity of kraut on packer's hands on April 1, 1945 or such later date as may be approved by the Administrator, CCC(OD) will either purchase the kraut at the appropriate support level or make payments on the difference between that level and 12¢ per gallon. In no event will payments be made on sauerkraut if it is

II. H. (Cont.)

determined that market prices are at or above the appropriate support level.

- I. To be eligible for payment a packer must certify that the kraut involved meets the requirements of U. S. Grade C or better, unless the Administrator makes other provisions as to the grade of kraut.
- J. Purchases of kraut by CCC(OD).

On any purchases of kraut that WFA makes it has the right to have the kraut packed in whatever containers it chooses. No purchases shall be made from any packer of any quantity of kraut of less than one carload or equivalent amount. All kraut to be purchased must meet the requirements of U. S. Grade C or better and inspection costs must be borne by the vendors. If the kraut is to be packed in wooden containers there will be no payment by CCC(OD) for the packing operation, but CCC(OD) will bear the cost of the containers. The purchase price of all kraut purchased in wooden containers will be basis f.o.b. cars or trucks, packer's plant. If the kraut is to be canned, the cost for the canning operation, containers, cartons, etc., is to be borne by CCC(OD). If the packer offering the kraut does not perform the canning operation, such packer shall assume the responsibility for delivering the kraut to the canner who is to do the canning, and the kraut must meet U. S. Grade C specifications at the point of delivery to the canner. The CCC(OD) will reimburse the packer for the transportation costs in shipping the kraut to the canner and in shipping the empty barrels back to the packer. No allowance will be made for the use of the barrels under these circumstances.

- K. In the event tin is made available, the program will be terminated and no subsidy payments or purchases will be made on any kraut sold or delivered after the date when the use of tin for kraut is authorized.

III. EXAMINATION OF CLAIMS

Claims for subsidy payment will be submitted to the appropriate Finance Office of the OD regions in which the program is administered. Claims shall be processed by the Program Contract Accounting Section in accordance with Finance Instruction 551.3, Section V, Part A.

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IV. ACCOUNTING AND REPORTING

Accounting for the sauerkraut subsidy program will be performed by the Finance Offices of the OD regions in which the program is administered, in accordance with Finance Instruction 560.7, 561.7, 563.7 and 564.7.

Reporting under this program will be in accordance with Finance Instruction 569.7.

